

PUBLIC DISCLOSURE

May 29, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BARRE SAVINGS BANK

90148

**56 COMMON STREET
BARRE, MA 01005**

**Division of Banks
1000 Washington Street
Boston, MA 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, NY 10118**

NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Barre Savings Bank (or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies as of **May 29, 2013**. The agencies evaluate performance in the assessment area as it is defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution’s branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC’s Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

Based on the Small Institution CRA evaluation procedures specified for institutions with assets of less than \$296 million as of December 31 of either of the prior two calendar years, adjusted annually, Barre Savings Bank’s overall CRA performance is considered **Satisfactory** based on the following:

- The Bank's loan-to-deposit ratio is more than reasonable, at 102.9 percent, given the institution’s size, financial condition and assessment area credit needs.
- A majority (65.4 percent) of the Bank’s residential and small business loans are inside the Bank’s assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. However, since the Bank’s assessment area has no low- or moderate-income census tracts, this performance criterion is not weighted as heavily in the evaluation and in the Bank’s rating.
- Although the Bank maintains procedures, no CRA-related complaints have been received since the last evaluation.

SCOPE OF THE EXAMINATION

This evaluation was conducted jointly by the Division and the FDIC. Small Bank evaluation procedures were used to assess the Bank's CRA performance. These procedures evaluated the Bank's CRA performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, borrower's profile, geographic distribution of loans, and response to CRA complaints. The CRA evaluation considered activity since the Bank's prior joint CRA evaluation, dated March 12, 2008.

This evaluation focused on home mortgage and small business lending, as these are the primary loan products offered by the Bank. The lending activity from January 1, 2011 to December 31, 2012, was analyzed. For purposes of this evaluation, greater emphasis was placed on the Bank's residential mortgage lending performance, as it was the Bank's primary lending focus throughout the evaluation period. The Bank's most recent Consolidated Report of Condition and Income (Call Report) as of March 31, 2013, shows that 72.5 percent of the Bank's loan portfolio is real estate loans, which includes multi-family properties. Consumer and small farm loans were not considered in the evaluation as these loans represent a small percentage (2.8 percent) of the loan portfolio.

Home mortgage lending data was analyzed from January 1, 2011 through December 31, 2012. Information related to residential mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing, of 1-4 family and multi-family properties (five or more units). The evaluation emphasized the Bank's home mortgage lending performance in 2011, as this is the most recent year for which aggregate lending data is available. The Bank's home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the Bank's designated assessment area. The Bank's home mortgage lending performance was also compared with demographic data. Home mortgage lending data for 2012 is referenced in the narrative to illustrate trends in the Bank's lending data.

Small business lending data was also analyzed. For the purposes of this evaluation, small business loans are defined as commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. The Bank's small business loan data was derived from a report of all small business loans originated in 2011 and 2012. As a small bank, the Bank is not required to collect and report small business loan data. Therefore, the Bank's small business lending activity was not compared with small business aggregate data; instead, the Bank's small business lending performance was compared to demographic data.

Demographic information is used from the 2000 U.S. Census when evaluating the 2011 lending data. When evaluating the 2012 lending information, the 2010 U.S. Census data information is used. Financial data was derived from the March 31, 2013 Call Report.

PERFORMANCE CONTEXT

Description of Institution

Barre Savings Bank is a Massachusetts chartered mutual savings bank. In addition to its main office, located at 56 Common Street in Barre, the Bank operates two branch offices in Paxton and Princeton. The main office is located in a middle-income census tract and both of the branch offices are located in upper-income census tracts. All branches are equipped with 24-hour automated teller machines (ATMs) and the main office has a drive-up facility.

The Bank is a full-service financial institution that offers a wide variety of products and services. The Bank offers various residential mortgage loan products, including fixed- and adjustable-rate mortgages to purchase, improve, or refinance a home; a first-time homebuyers' mortgage program; a municipal employee mortgage program; construction loans; home equity lines of credit; home equity loans; personal loans; land loans; and new and used car loans. The Bank also offers a variety of commercial loans, which include lines of credit, real estate financing, acquisition financing, equipment purchases, construction, and lease financing. In addition, the Bank offers secured and unsecured loans to use for new equipment, working capital, or business growth. The Bank offers deposit products and services, including checking accounts, business checking accounts, savings accounts, money market accounts, business money market accounts, certificates of deposit, ATM and debit cards, and business ATM debit cards. Services for businesses include business express on-line banking, merchant credit card deposits, wire transfers, federal tax depository, and bank by mail. Other services include toll-free nationwide telephone banking, free online banking, online bill payment, free eStatements, bank by mail, and personal payment service.

As of March 31, 2013, the Bank had total assets of \$152.2 million and total deposits of \$113.5 million. Total loans were \$114.5 million and represented 75.2 percent of total assets. The Bank's net LTD ratio, as of the same date, was 98.5 percent. Since the last CRA evaluation, the Bank's assets have increased 11.4 percent, deposits have grown 10.0 percent, and net loans have increased 9.0 percent.

Table 1 illustrates the current distribution of the Bank's loan portfolio. As Table 1 shows, Barre Savings Bank is primarily a residential lender, with a majority of the loan portfolio secured by residential properties. Total real estate loans account for 91.1 percent of the total loan portfolio. In addition, approximately 72.5 percent of the loans are secured by residential properties, including multi-family properties, followed by commercial real estate loans at 16.3 percent, and commercial and industrial loans at 6.1 percent.

Table 1 Loan Portfolio Distribution as of March 31, 2013		
Loan Type	Dollar Amount \$('000s)	Percent of Total Loans (%)
Loans secured by real estate: Construction, land development, and other land loans		
1-4 family residential construction loans	1,002	0.9
Other construction loans and all land development and other land loans	1,654	1.4
Secured by farmland	1	0.0
Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	9,363	8.2
Closed-end loans secured by 1-4 family residential properties: secured by first liens	67,193	58.7
Closed-end loans secured by 1-4 family residential properties: secured by junior liens	2,570	2.2
Secured by multi-family (5 or more) residential properties	3,925	3.4
Loans secured by owner-occupied nonfarm residential properties	16,042	14.0
Loans secured by other nonfarm residential properties	2,625	2.3
Total Real Estate Loans	104,375	91.1
Commercial and industrial loans	7,043	6.1
Other revolving credit cards	3	0.0
Automobile loans	234	0.2
Other consumer loans	2,868	2.5
Other loans	9	0.1
Total Loans	114,532	100.0

Source: Report of Condition and Income (Call Reports) March 31, 2013

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains strong.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries (unless permitted otherwise by the regulation), (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank defined its assessment area to include 11 towns located within Worcester County, Massachusetts. The towns are Barre, Hardwick, Holden, Hubbardston, New Braintree, Oakham, Paxton, Petersham, Phillipston, Princeton, and Rutland. These towns are all in the Worcester Metropolitan Statistical Area (MSA). The Bank's defined assessment area has not changed since the previous evaluation; however, with 2012 as a transition year for the U.S. Census, the number and income allocation of the census tracts have changed. A description of these and other changes between the two data sets appears in Tables 2 through 5.

The assessment area as currently defined meets the technical requirements of the regulation, as it includes whole geographies and does not arbitrarily exclude low- or moderate-income areas or expand beyond state boundaries.

Demographic and Economic Data

Census Tract Income Levels

Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low-income:	Less than 50% MFI
Moderate-income:	At least 50% but less than 80% of MFI
Middle-income:	At least 80% but less than 120% of MFI
Upper-income:	Equal to or greater than 120% of MFI

Table 2 includes the number and percentage of assessment area census tracts at each income level, based on both demographic sets.

Table 2 Distribution of Census Tracts by Income Level				
Census Tracts	2000 U.S. Census Data		2010 U.S. Census Data	
	#	%	#	%
Middle	5	45.4	7	58.3
Upper	6	54.6	5	41.7
Total	11	100.0	12	100.0

Source: 2000 and 2010 U.S. Census Data

As the data in Table 2 shows, the Bank's assessment area consists of 11 census tracts, per the 2000 Census, of which there are no low- or moderate-income census tracts, 5 middle-income census tracts (45.4 percent), and 6 upper-income census tract (54.6 percent). The 2010 Census increased the number of census tracts in the Bank's assessment area from 11 to 12, of which 7, or 58.3 percent, are middle-income tracts and 5, or 41.7 percent, are upper-income census tracts. The change occurred in the Oakham/Rutland census tract, where the 2000 Census data had one census tract for Oakham and Rutland. The 2010 Census data split this census tract into two tracts, one for each town due to the population growth that occurred during the decade. The increase in middle-income census tracts was due to the town of Holden shifting from 4 upper-income census tracts to one middle- and three upper-income census tracts.

Median Family Income Levels

Per the 2000 U.S. Census, the assessment area has a total population of 46,758 residing in 12,980 family households. Of all family households in the area, 11.0 percent are low-income, 14.6 percent are moderate-income, 25.7 percent are middle-income, 48.7 percent are upper-income, and 2.0 percent are families below the poverty level. Of the 16,733 households, 2,591, or 15.5 percent, are low-income and 1,901, or 11.4 percent, are moderate-income. Also, 682, or 4.1 percent, of these households are below the poverty level, and 1.4 percent of the households receive some

form of public assistance. Living below the poverty level typically indicates a reduced ability to qualify for a mortgage loan, thereby reducing a financial institution's ability to originate residential loan products to lower-income individuals.

Table 3 Number and Percentage of Families by Income Level				
	2000 U.S. Census Data		2010 U.S. Census Data	
	# of Families	% of Families	# of Families	% of Families
Low	1,421	11.0	1,741	12.4
Moderate	1,899	14.6	2,088	14.8
Middle	3,335	25.7	3,151	22.4
Upper	6,325	48.7	7,080	50.4
Total	12,980	100.0	14,060	100.0
Percent of Families Below the Poverty Level	2.0		3.3	

Source: 2000 and 2010 U.S. Census Data

Per the 2010 U.S. Census, the assessment area population increased to 52,125 residing in 14,060 family households. Of all family households in the area, 12.4 percent are low-income, 14.8 percent are moderate-income, 22.4 percent are middle-income, 50.4 percent are upper-income, and 3.3 percent are families below the poverty level. Of the 18,542 households, 2,970, or 16.0 percent, are low-income and 2,196, or 11.8 percent, are moderate-income. Also, 921, or 5.0 percent of the households, are below the poverty level, and 2.2 percent of households receive some form of public assistance.

The distribution of low-income families and families below the poverty level increased, as did the number and percentage of moderate-income families.

Housing Characteristics

According to the 2000 U.S. Census, the assessment area contains 17,442 housing units, of which 82.0 percent are owner-occupied and 13.6 percent are occupied rental units. According to the 2010 U.S. Census, the number of housing units and the percent of owner-occupied units increased to 19,679 and 82.3 percent, respectively. Similarly, the vacancy rate throughout the assessment area increased from 4.4 percent to 5.8 percent. Tables 4 and 5 illustrate select housing characteristics within the Bank's designated assessment area based on both the 2000 and 2010 U.S. Census.

Table 4 Select Housing Characteristics by Income Category of Census Tract								
Census Tract Income Level	Percentage					Median		
	House- holds	Housing Units	Owner- Occupied	Occupied Rental Units	Vacant Units	Age	Home Value	Gross Rent
Middle	50.1	51.4	47.7	65.0	77.3	30	139,815	553
Upper	49.9	48.6	52.3	35.0	22.7	35	174,098	609
Total or Median	100.0	100.0	100.0	100.0	100.0	33	159,149	572

Source: 2000 U.S. Census Data

Table 5 Select Housing Characteristics by Income Category of Census Tract								
Census Tract Income Level	Percentage					Median		
	House- holds	Housing Units	Owner- Occupied	Occupied Rental Units	Vacant Units	Age	Home Value	Gross Rent
Middle	58.9	61.0	59.1	68.5	73.0	41	271,431	747
Upper	41.1	39.0	40.9	31.5	27.0	43	329,815	991
Total or Median	100.0	100.0	100.0	100.0	100.0	42	296,052	821

Source: 2010 U.S. Census Data

The median housing value increased significantly from the 2000 to 2010 Census. The average median sales price for housing has increased significantly over the past few years and is considered high and largely out-of-reach for many low- and moderate-income borrowers.

Unemployment

The 2012 annual unemployment rate for Massachusetts was 6.7 percent, according to statistics gathered from the Bureau of Labor Statistics. This represents a decrease from 2011, when the unemployment rate in Massachusetts was 7.4 percent. The unemployment rate for Worcester County for 2012 was 7.5 percent. As of December 2012, the unemployment statistics for the towns in the assessment area were as follows: Barre at 8.3 percent, Hardwick at 7.1 percent, Holden at 5.8 percent, Hubbardston at 6.3 percent, New Braintree at 7.4 percent, Oakham at 6.6 percent, Paxton at 5.4 percent, Petersham at 5.8 percent, Phillipston at 9.2 percent, Princeton at 5.5 percent, and Rutland at 6.5 percent.

Business and Industry

The 2011 Business Geo-demographic Data show that there are 4,540 businesses in the assessment area, of which 71.1 percent have gross annual revenues (GARs) of \$1 million or less, 1.6 percent have GARs greater than \$1 million, and the remaining 27.3 percent have unknown revenues. The highest proportion of these business establishments are engaged in the services industry (41.5 percent). Businesses involved in non-classifiable establishments (19.7 percent), and construction

(9.9 percent) make up a significant share of the establishments. In terms of employees, approximately 67.7 percent of the area's businesses employ four or fewer people.

Data obtained from the 2012 Business Geo-demographic Data show that the number of businesses decreased to 4,388 in the assessment area, of which 75.7 percent have GARs of \$1 million or less, 1.9 percent have GARs greater than \$1 million, and the remaining 22.4 percent have unknown revenues. Of all the businesses in the assessment area, 54.9 percent are in middle-income tracts, and 45.1 percent are in upper-income tracts. The highest proportion of these business establishments are engaged in the services industry (44.1 percent). Businesses involved in non-classifiable establishments (14.9 percent), construction (10.5 percent), and retail trade (8.9 percent) make up a significant share of the establishments. In terms of employees, approximately 71.8 percent of the area's businesses employ four or fewer people. Included among the largest employers in the assessment area are Wachusett Mountain (Princeton), Devereux School (Rutland), Stetson School Inn (Barre), Big Y World Class Market (Holden), and Massachusetts State Police Academy (New Braintree).

Competition

The Bank faces strong competition from other financial institutions in originating loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Athol Savings Bank, Country Bank, Workers Credit Union, Fitchburg Savings Bank, GFA Credit Union, and Leominster Credit Union. The 2011 aggregate lending data shows that 197 lenders originated 24,449 residential mortgage loans in the Bank's assessment area. Barre Savings Bank ranked 12th with a 2.0 percent market share. The three lenders with the highest market shares consisted of Wells Fargo Bank with 7.6 percent, Bank of America with 7.2 percent and JP Morgan Chase Bank with 5.3 percent.

The assessment area does not have a primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was conducted with a local council on aging whose purpose is to identify the needs of elders in the community, educate the community and enlist the support and participation of all citizens to meet the needs of elders and design, advocate and/or implement services to fill these needs, or to coordinate existing services. The contact stated that housing is not an issue, but that more "elderly programs" are needed, including financial planning. Overall, the contact was pleased with the responsiveness of the local community banks to the area's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN TO DEPOSIT (LTD) ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's net LTD ratio is more than reasonable given the institution's size, financial condition and the assessment area's credit needs.

The Bank's net LTD ratio is 98.5 percent as of March 31, 2013. A review was conducted of the Bank's quarterly net LTD ratios for the last 21 quarters since the prior CRA evaluation. The quarters reviewed include those ending March 31, 2008 through March 31, 2013. These ratios are based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits. The Bank's average net LTD ratio over the period reviewed was 102.9 percent. The net LTD ratio fluctuated over the last 21 quarters, from a low of 95.3 percent (as of December 31, 2011) to a high of 115.4 percent (as of December 31, 2008). During this timeframe, net loans increased 9.0 percent and deposits grew 10.0 percent.

For comparison purposes, the Barre Savings Bank's average net LTD ratio was compared against the average net LTD ratios of three similarly situated institutions for the same time period. These three institutions are similar in terms of asset size and/or loan portfolio composition.

Table 6		
Peer Group Loan-to-Deposit Comparison		
Bank Name	Total Assets \$('000s) as of 3/31/13	Average Net LTD Ratio 3/31/08 through 3/31/13
Colonial Cooperative Bank	69,695	87.4
Barre Savings Bank	152,266	102.9
Northampton Cooperative Bank	164,707	68.4
North Brookfield Savings Bank	205,227	65.8

Source: FFIEC Report of Condition and Income (Call Reports), March 31, 2013

As shown in Table 6, the three other institutions' average quarterly net LTD ratios ranged between 65.8 percent and 87.4 percent. At 102.9 percent, the Bank's average net LTD is greater than all of the similarly situated institutions.

The Bank has not sold or purchased loans during the evaluation period. The Bank is a member of the Federal Home Loan Bank system and borrows funds to support additional loan commitments. This, in addition to the Bank's LTD ratio, demonstrates its willingness to reinvest in the community through its lending services.

Based on the above information and the Bank's capacity to lend, the capacity of other similarly-situated banks, the types of loans available at the Bank, and the lending opportunities available, the Bank's LTD ratio exceeds the standards for satisfactory performance.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential and small business loans.

Based on a review of home loan and small business data, a majority (65.4 percent) of the Bank's lending activity occurs within the institution's assessment area. Table 7 illustrates the Bank's record of extending residential and small business loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 7 Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume \$('000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2011										
Home Purchase	6	50.0	6	50.0	12	895	50.7	869	49.3	1,764
Refinance	24	75.0	8	25.0	32	4,205	69.8	1,822	30.2	6,027
Home Improvement	18	81.8	4	18.2	22	2,308	78.7	624	21.3	2,932
Total	48	72.7	18	27.3	66	7,408	69.1	3,315	30.9	10,723
2012										
Home Purchase	11	64.7	6	35.3	17	1,751	55.0	1,432	45.0	3,183
Refinance	36	53.7	31	46.3	67	6,397	53.9	5,468	46.1	11,865
Home Improvement	17	89.5	2	10.5	19	2,430	88.2	324	11.8	2,754
Total	64	62.1	39	37.9	103	10,578	59.4	7,224	40.6	17,802
Total Residential Loans	112	66.3	57	33.7	169	17,986	63.1	10,539	36.9	28,525
Small Business 2011	12	85.7	2	14.3	14	2,628	95.5	125	45.4	2,753
Small Business 2012	12	48.0	13	52.0	25	1,023	41.2	1,461	58.8	2,484
Total Small Business	24	61.5	15	38.5	39	3,651	69.7	1,586	30.3	5,237
Grand Total	136	65.4	72	34.6	208	21,637	64.1	12,125	35.9	33,762

Source: 2011 and 2012 HMDA LARs and a Sample of the Bank's 2011 and 2012 Small Business Loans

Residential Lending

As shown in Table 7, the Bank originated 112 home loans totaling approximately \$18 million in the assessment area during the evaluation period. This represents 66.3 percent of the total number of residential loans originated by the Bank and 63.1 percent by dollar amount. The distribution of loans by number is weighted more heavily in this analysis, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans. Furthermore, analysis by number does not skew the results like a review by large dollar amounts inside or outside the assessment area can.

Table 7 also reveals that the number of loans, and dollar amount increased from 2011 to 2012, although the respective percentages in the assessment area decreased.

Small Business Lending

As shown in Table 7, the Bank originated 61.5 percent of its small business loans by number, and 69.7 percent by dollar amount, inside the assessment area. The Bank's originated loans totaled \$5.2 million, of which \$3.6 million were in the assessment area.

Based on the Bank's level of lending in the assessment area, the Bank's responsiveness to credit needs is considered to meet the standards for satisfactory performance.

BORROWER PROFILE

This performance criterion evaluates the distribution of the Bank's residential and small business loans based on borrower characteristics. Analyses were conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income and the Bank's small business loans inside the assessment area based on size of business. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with GARs of \$1 million or less.

The distribution of borrowers reflects, given the demographics of the assessment area, a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Table 8 presents the loans originated and categorized by the applicants' reported income in relation to the MFI for the MSA in which the property is located. Table 8 also presents the Bank's HMDA-reportable lending performance and the 2011 aggregate data (exclusive of Barre Savings Bank). In addition, the table also reflects the percentage of family households in each of the borrower income categories.

Low-income is defined by the US Census Bureau as income below 50 percent of the MFI level for the MSA. In the Worcester MSA for 2011 and 2012, a low-income family earned \$41,249 or less, and \$41,799 or less, respectively. Moderate-income is defined as income between 50 to 79 percent of the MFI. In 2011 and 2012, a moderate-income family in the Worcester MSA earned no more than \$65,999 and \$66,879, respectively. Middle-income is defined as income between 80 and 119 percent of the MFI. Middle-income families had incomes ranging from \$66,000 to \$98,999 for 2011. For 2012, the income was from \$66,800 to \$100,319. Upper-income is defined as income greater than 120 percent of the MFI. Upper-income family households earned \$99,000 or more for 2011. For 2012, earnings were \$100,320 or more.

Residential Lending

Residential lending data was reviewed to assess how well the Bank is addressing the housing credit needs of the area's low-, moderate-, middle-, and upper-income residents. Emphasis is placed on the Bank's record of lending to low- and moderate-income borrowers residing in the assessment area. As reflected in Table 8, the Bank demonstrated a reasonable penetration of residential loans to borrowers of different income levels in the assessment area.

Table 8 Distribution of HMDA Loans by Borrower Income Level (Excludes Borrowers for which income is not available)							
Borrower Income Level	% of Total Families (2000 Census)	Aggregate Lending Data (% of #)	2011		% of Total Families (2010 Census)	2012	
			2011	#		#	%
Low	11.0	7.5	3	6.2	12.4	3	4.7
Moderate	14.6	19.6	6	12.5	14.8	9	14.1
Middle	25.7	29.6	12	25.0	22.4	13	20.3
Upper	48.7	43.3	27	56.3	50.4	39	60.9
Total	100.0	100.0	48	100.0	100.0	64	100.0

Sources: 2011 and 2012 HMDA LARs; 2011 Aggregated Data and 2000 and 2010 U.S. Census Data

Table 8 shows that in 2011 the upper-income borrowers accounted for the highest single share of total loans. The percentage of loans to the upper-income borrowers was significantly higher than the percentage of upper-income families in the area. The strong penetration to upper-income borrowers is not unexpected, considering that 48.7 percent of the area's families are upper-income. In addition, the aggregate lending was also highest to upper-income borrowers at 43.3 percent. Middle-income borrowers accounted for the next highest percentage of total loans. The percentage of loans to the middle-income borrowers (25.0 percent) was slightly lower than the demographics (25.7 percent).

As reflected in Table 8 for 2011, the Bank's distribution of loans to low-income borrowers, at 6.2 percent, is below the aggregate. It is noted that lending to low-income borrowers was significantly lower than the percentage of low-income families (11.0 percent) in the area. However, for a significant portion of these low-income families qualifying for home mortgage loans is difficult, given the current economic environment. According to the 2000 U.S. Census, 2.0 percent of all families and 4.1 percent of all households in the assessment area are below the poverty level and would therefore have difficulty qualifying for home financing. In addition, home purchase prices in the area, which as stated previously range from \$102,850 to \$272,750, present an obstacle in achieving homeownership for many low-income families. The Bank's performance in lending to low-income borrowers in the assessment area is highlighted by the 2011 market share report. The Bank ranked 15th, with a market share of 2.0 percent, for all assessment area loans originated to low-income borrowers.

In 2011, the Bank originated 12.5 percent of total loans to moderate-income borrowers, which was lower than the aggregate percentage and also below the percentage of moderate-income families, at 14.6 percent. In 2012, the Bank increased its lending to moderate-income lenders (14.1 percent), which is slightly below the demographic data (14.8 percent). The 2011 market share report pertaining to loans made to moderate-income borrowers in the assessment area shows the Bank ranked 20th with a market share of 1.5 percent. Additionally, the 2011 market share report shows the Bank ranked 17th out of 110 lenders with a market share of 1.6 percent for combined low- and moderate-income borrowers.

In 2012, the distribution of home loans among the borrower income categories was comparable to 2011. Upper-income borrowers accounted for the majority of the home loans. The Bank's overall performance decreased for low-income borrowers (4.7 percent) but increased for moderate-income borrowers (14.1 percent).

Small Business Lending

The Bank's small business lending activity, overall, reflects reasonable penetration among businesses of different sizes, particularly to those with GARs of \$1 million or less. Table 9 details the Bank's 2011 and 2012 distribution of lending to businesses of different sizes compared to the percentage of businesses in the assessment area.

Table 9						
Distribution of Small Business Loans by Gross Annual Revenues (GAR)						
GAR \$(000)	2011 % of Total Businesses	2011 Bank		2012 % of Total Businesses	2012 Bank	
		#	%		#	%
≤ \$1,000	71.1	10	83.3	75.7	8	66.7
> \$1,000	1.6	2	16.7	1.9	4	33.3
GAR Not Reported	27.3	0	0.0	22.4	0	0.0
Total	100.0	12	100.0	100.0	12	100.0

Source: 2011 and 2012 Bank Small Business Loan Records and 2011 and 2012 Business Geo-demographic Data

As shown in Table 9, the Bank made 83.3 percent of all small business loans to businesses with GAR of \$1 million or less in 2011, which exceeds the percentage of businesses in that size category at 71.1 percent. In 2012, the Bank was lower (66.7 percent) than the total businesses (75.7 percent).

Although 2013 data is not included in this review, it is notable that in 2013 the Bank implemented the Capital Access Program (CAP), a loan program of the Massachusetts Business Development Corporation. CAP simplifies borrowing for small business owners and provides access to capital where none currently exists. The Bank, thus far, originated three loans for a total of \$110,804.

The Bank has shown a willingness to lend to all applicants, including those of low- and moderate-income. The Bank meets the standards for satisfactory performance for this criterion.

GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level. Emphasis is generally placed on lending in low- and moderate-income census tracts; however, as mentioned in the "Description of the Assessment Area," the Bank does not have any low- or moderate-income census tracts. Therefore, the Bank's performance pursuant to this criterion carried less weight in the overall rating. Overall, the Bank's performance was considered reasonable.

Residential Lending

Table 10 illustrates the geographic distribution of the Bank's 2011 and 2012 residential mortgage lending within the assessment area by number of loans. For comparison purposes, the table includes the percentage of owner-occupied housing units within each income category, as well as

the aggregate market lending data for 2011.

Table 10 Distribution of HMDA Loans by Census Tract Income Level							
Census Tract Income Level	% of Total Owner-Occupied Housing Units (2000 Census)	Aggregate Lending Data (% of #)	2011		% of Total Owner-Occupied Housing Units (2010 Census)	2012	
		2011	#	%		#	%
Middle	47.7	41.5	37	77.1	59.1	49	76.6
Upper	52.3	58.5	11	22.9	40.9	15	23.4
Total	100.0	100.0	48	100.0	100.0	64	100.0

Source: 2011 and 2012 HMDA LARs, 2011 aggregate data, and 2000 and 2010 U.S. Census Data.

An analysis of the Bank's 2011 residential mortgage originations indicates that 37 loans, or 77.1 percent, were originated in middle-income census tracts and 11 loans, or 22.9 percent, were originated in upper-income census tracts. The geographic distribution of the Bank's loans in the middle-income census tracts exceeds the aggregate lending percentage and the owner-occupied housing percentage. The Bank's strong presence in the middle-income census tract is attributed, in part, to the fact that the Bank's main office is in a middle-income census tract.

During 2012, the Bank's distribution of home loans among the middle-income tracts decreased to 76.6 percent, while the upper-income census tracts increased to 23.4 percent, respectively.

Small Business Lending

Table 11 illustrates the geographic distribution of the Bank's small business loans within the assessment area for 2011 and 2012, as well as the business demographics.

Table 11 Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	2011 % of Total Businesses	2011 Bank		2012 % of Total Businesses	2012 Bank	
		#	%		#	%
Middle	47.6	12	100.0	54.9	8	66.7
Upper	52.4	0	0.00	45.1	4	33.3
Total	100.0	12	100.0	100.0	12	100.0

Source: 2011 and 2012 Bank's Small Business Loans and 2011 and 2012 Business Geo-demographic Data

In 2011, the Bank originated 100.0 percent of its small business loans in the middle-income census tracts, which is higher than the business percentage of 47.6 percent. In 2012, the Bank originated 66.7 percent of its small business loans in the middle-income census tracts, which is higher than the demographic percentage of 54.9 percent. The remaining loans, 33.3 percent, were originated in the upper-income census tracts, which is lower than the percent of businesses (45.1 percent).

Overall, the Bank has a reasonable dispersion among the various census tract geographies and meets the standards for satisfactory performance.

Response to CRA-Related Complaints

Barre Savings Bank has not received any CRA-related complaints since the last evaluation. However, the Bank maintains procedures in the event a complaint is received. The Bank's performance in this area is considered reasonable.

REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

The Bank's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to check for fair lending issues. There were no disparate treatment evident in the file review.

The Bank takes a pro-active approach to fair lending. All employees are provided with training appropriate to their job description and responsibilities in fair lending issues. The Bank has a written Fair Lending Policy. All denied loans have a second review.

MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 46,758 individuals, of which 3.2 percent are minorities. The assessment area's minority and ethnic population consists of 0.5 percent Black/African American, 0.7 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 1.1 percent Hispanic or Latino and 0.8 percent other.

For 2011 and 2012, the Bank received 155 HMDA reportable loan applications from within its assessment area. Of these applications, 4 or 2.6 percent were received from minority applicants, of which 3 or 75.0 percent resulted in originations. For the same time period, the Bank did not receive any applications from ethnic groups of Hispanic origin within its assessment area.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2011. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. The Bank's performance was lower than the 2011 aggregate's performance level for minority applicants. The Bank received 1.7 percent for minorities while the aggregate was 3.5 percent. As mentioned above, the Bank did not receive any applications for ethnic minorities while the aggregate received 1.5 percent for ethnic minorities. In 2012, the Bank significantly increased its performance for minority applications (3.1 percent), but again, did not receive any applications for ethnic minorities.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 56 Common Street, Barre, MA 01005."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.